



# CYCLED AGENCY CAPITAL ASSETS REVIEW

REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2020

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



## AUDIT SUMMARY

Capital assets, as defined for Commonwealth agencies, represent assets that have an expected useful life of more than one year and an initial cost that is greater than \$5,000. Commonwealth agencies are responsible for properly recording and monitoring capital assets in accordance with the Commonwealth's policies.

We audited capital assets at eight agencies for the fiscal year ended June 30, 2020, using the following objectives:

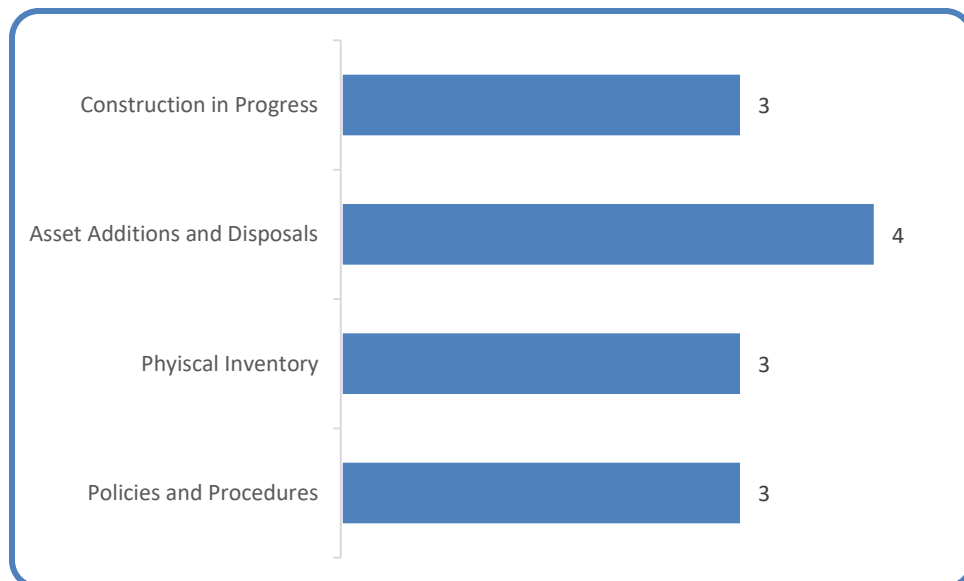
- Determine whether the agency has established adequate policies and procedures to ensure sufficient internal controls are in place regarding the governance and management of capital assets and that those controls are functioning as intended; and,
- Determine whether the agency is in compliance with the laws and regulations governing capital assets.

We selected the eight agencies based on multiple factors and considerations related to each agency's capital asset control environment. We evaluated the same controls at each agency and for reporting purposes, categorized our work using four capital asset control areas:

- Construction in Progress
- Asset Additions and Disposals
- Physical Inventory
- Policies and Procedures

### Findings by Control Area

Chart 1



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## INTRODUCTION

The Auditor of Public Accounts (APA), as required by the Code of Virginia, audits all Executive and Judicial branch Commonwealth agencies handling state funds. However, the Code of Virginia does not require audits of all agencies annually. The APA refers to agencies audited on a periodic basis as cycled agencies. Historically, the APA has audited cycled agencies at least once every three years. Beginning with fiscal year 2016 audits, the APA developed a risk-based approach for auditing cycled agencies. This modified audit approach allows the APA flexibility to focus on different areas of significant agency operations every year at any, or several, of the cycled agencies based on an assessment of risk factors. For fiscal year 2020, the APA selected capital assets as the area of audit focus.

### **Objectives**

The overall objective for this audit is to gain an understanding of capital asset management within the cycled agency population and to determine whether there are any areas of concern related to the governance and management of capital assets that require corrective action. The specific objectives of this review are to:

- Determine whether the agency has established adequate policies and procedures to ensure sufficient internal controls are in place regarding the governance and management of capital assets and that those controls are functioning as intended; and
- Determine whether the agency is in compliance with the laws and regulations governing capital assets.

### **Scope and Methodology**

Our audit covers activity occurring in the fiscal year ended June 30, 2020. A total of 51 agencies were included in our risk-based analysis to determine which agencies would be included in our capital assets review. We also considered the size of the agency to ensure inclusions of both smaller and larger cycled agencies. Factors we considered included:

- Whether the agencies received an APA Internal Control Questionnaire (ICQ) Review in the prior fiscal year and whether the ICQ Review identified capital asset issues;
- The amount of capital asset expenses in fiscal year 2020, primarily in relation to the agency's total expenses for fiscal year 2020; and
- Qualitative significance of capital assets to each agency.

Based on our analysis of the factors above, we determined that we would perform a review of capital assets at eight agencies. Table 1 below lists the agencies selected and provides the agencies' abbreviated names used in this report.

### Agencies Selected for Detailed Test Work

Table 1

Agency Name	Abbreviated Name
Department of Forensic Science	Forensic Science
Department of Forestry	Forestry
Department of Juvenile Justice	Juvenile Justice
Frontier Culture Museum of Virginia	Frontier Culture
Gunston Hall	Gunston Hall
Jamestown-Yorktown Foundation	Jamestown-Yorktown
Supreme Court of Virginia	Supreme Court
Virginia School for the Deaf and the Blind	Deaf and Blind

## AUDIT OVERVIEW

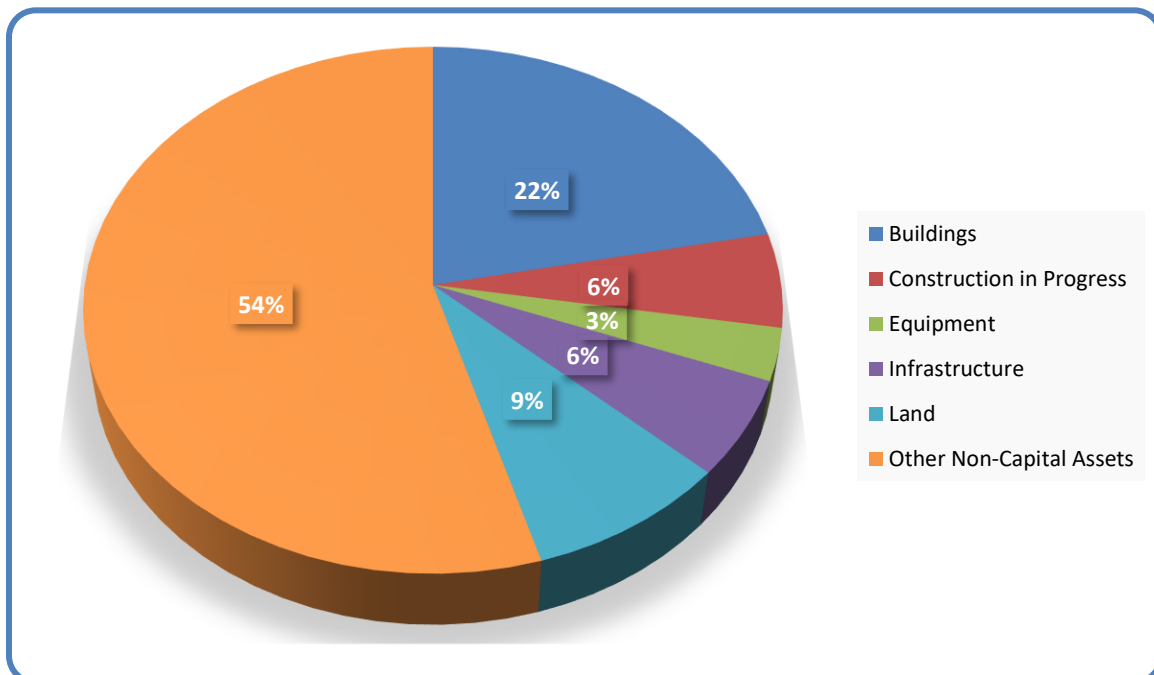
The major classes of capital assets include land, buildings, infrastructure, equipment, and construction in progress (CIP). Capital assets represent a significant portion of assets for the Commonwealth; and therefore, are a critical business cycle for state agencies. As shown in Chart 2, capital assets represent 46 percent of the total assets for the cycled agency population, totaling \$1.5 billion for fiscal year 2020. We selected the following areas for review, as we commonly encounter issues in these areas during our audits and we consider them critical to the proper accounting and reporting of capital assets.

- Construction in Progress
- Asset Additions and Disposals
- Physical Inventory
- Policies and Procedures

Our audit evaluated these areas against the guidelines provided by the Department of Accounts (DOA) in the Commonwealth Accounting Policies and Procedures (CAPP) Manual. We provide an overview of each area reviewed in the following sections.

**Cycled Agencies Assets by Class  
Fiscal Year 2020**

Chart 2



Source: Commonwealth's accounting and financial reporting system

## **Construction in Progress**

CIP is a reporting classification that represents a temporary capitalization of labor, materials, and equipment of buildings or other capital assets during the construction process. Agencies must properly track, classify, and capitalize expenses related to assets under construction to ensure that CIP is accurate, and to record the resulting asset at the correct value when the agency reclassifies the construction costs from CIP to the appropriate final asset category. We reviewed the documentation supporting the recording, reporting, and monitoring of CIP to ensure it met all CAPP Manual Topic 30310 requirements. We performed procedures over each agency's CIP reconciliation to the Commonwealth's capital asset system, CIP balances including invoices, project numbers and asset categorization, and CIP reclassifications.

## **Asset Additions and Disposals**

Timely reporting and accounting for asset additions and disposals helps to ensure that an agency accurately tracks its investment in capital assets and assigns accountability for the capital assets. When agencies do not properly enter assets into the Commonwealth's capital asset system, they are not tracking and depreciating assets as required. We reviewed the accuracy and timeliness of asset additions and disposals to ensure they met CAPP Manual Topic 30205 requirements. We performed procedures over policies and procedures, asset categorization, acquisition date, useful lives, salvage value, disposal methods and revenue recognition.

## **Physical Inventory**

DOA requires agencies to perform a physical inventory at least once every two years. The objectives of a physical inventory are to ensure that capital assets recorded in the Commonwealth's capital asset system physically exist; determine if unrecorded or improperly recorded transactions have occurred; and identify any excess, defective, or obsolete assets on hand. An effective physical inventory is necessary to ensure that capital assets recorded in the Commonwealth's capital asset system are accurate and reliable for operational decisions and financial reporting. Based on CAPP Manual Topic 30505 requirements, we reviewed the effectiveness of each agency's physical inventory focusing on accuracy and timeliness.

## **Policies and Procedures**

The purpose of the policies and procedures for capital assets in DOA's CAPP Manual are to help ensure that agencies acquire, control, and dispose of capital assets in the best interests of the Commonwealth. Agencies must also establish and follow internal policies and procedures regarding stewardship over capital assets to supplement the CAPP Manual. We reviewed each agency's policies and procedures to ensure they are adequate to provide sufficient internal controls over capital assets and periodically reviewed by management.

## AUDIT FINDINGS AND RECOMMENDATIONS

This report is a compilation of all findings issued to the eight agencies. The findings are further categorized into one of four capital asset control areas to gain an overall perspective as to where agencies have deficient capital asset controls. Specific audit findings and their respective conclusions only apply to each individually identified agency. These conclusions cannot be extrapolated to the entire population of 48 cycled agencies nor to any other agency. Table 2 shows the audit findings by agency and capital asset control area. The ✓ symbol indicates that we reviewed the control area and did not issue a finding for that agency. An X indicates that we reviewed a control area and issued findings for the specific agency.

**Findings by Agency and Capital Asset Control Area**

Table 2

Agency	Construction in Progress	Asset Additions and Disposals	Physical Inventory	Policies and Procedures
Deaf and Blind	X	X	X	X
Forensic Science	✓	X	X	X
Forestry	✓	X	✓	✓
Frontier Culture	X	X	X	✓
Gunston Hall	X	✓	✓	X
Jamestown-Yorktown	✓	✓	✓	✓
Juvenile Justice	✓	✓	✓	✓
Supreme Court	✓	✓	✓	✓

### **Strengthen Internal Controls Over Capital Assets**

*Applicable Agency: Deaf and Blind*

*Control Area: Construction in Progress, Asset Additions and Disposals, Physical Inventory, and Policies and Procedures*

Deaf and Blind does not have complete or up-to-date internal policies and procedures for tracking, recording, and reporting capital assets. Our audit included a review of the physical inventory process, the CIP process, asset additions and deletions, and equipment expenses to verify the existence and completeness of capital assets. During our review, we observed the following items which indicate that certain updates to internal policies and procedures are necessary:

- Deaf and Blind does not perform a reconciliation of its CIP spreadsheets to the Commonwealth's capital asset system at least quarterly to ensure accuracy and completeness. In addition, Deaf and Blind's procedures instruct personnel to run an incorrect report to be used during Deaf and Blind's CIP spreadsheet quarterly reconciliation.



- Deaf and Blind did not record capital asset additions timely into the Commonwealth’s capital asset system for 25 out of 57 (44%) capital asset additions from 34 to 169 days after the acquisition of the assets.
- Deaf and Blind does not have a documented procedure to perform floor-to-list inventory procedures as part of its physical inventory process.

The CAPP Manual includes requirements for agencies regarding capital assets, particularly for the items referenced above. CAPP Manual Topic 20905 requires each agency to publish its own internal policies and procedures, which agency management must approve in writing. CAPP Manual Topic 30505 requires that physical inventory procedures must include verification from the list to ensure the physical existence of listed assets and from the physical assets back to the list to properly safeguard assets and maintain fiscal accountability. Additionally, CAPP Manual Topic 30205 requires assets to be recorded within 30 days after receipt and acceptance of the asset except at year end when all accepted and received assets should be recorded by the year-end close date to avoid unnecessary and duplicative purchases. Lastly, CAPP Manual Topic 30310 requires an agency to reconcile the CIP spreadsheet to the Commonwealth’s capital asset system at least quarterly to ensure accuracy and completeness of reported CIP amounts.

Deaf and Blind’s capital asset policies and procedures do not adequately reflect the CAPP Manual requirements. A lack of adequate written policies and procedures increases the likelihood that Deaf and Blind will not properly account for its capital assets.

Deaf and Blind should begin reconciling its CIP spreadsheet to the Commonwealth’s capital asset system at least quarterly and maintain documentation that is available for review upon request. In addition, Deaf and Blind should enter all asset acquisitions timely into the Commonwealth’s capital asset system and perform physical inventories in accordance with the CAPP Manual. Finally, Deaf and Blind should review, update, and maintain adequately detailed capital asset policies and procedures to ensure its internal control structure aligns with CAPP Manual best practices, so that appropriate tracking, recording, and reporting of capital assets and CIP can continue.

### **Improve the Timeliness of Recording Capital Asset Additions**

*Applicable Agency: Forensic Science*

*Control Area: Asset Additions and Disposals, Policies and Procedures*

Forensic Science did not record asset additions timely in the Commonwealth’s capital asset system for 23 out 36 (64%) asset additions during fiscal year 2020. Forensic Science recorded the asset additions from 45 to 242 days after acquisition of the items.

CAPP Manual Topic 30205 states that all recordable assets, except constructed assets, should be recorded in the Commonwealth’s capital asset system as soon as possible after title passes. Except in unusual circumstances, assets should be posted to the Commonwealth’s capital asset system within 30 days after receipt and acceptance of the asset in the fiscal year the asset was acquired.

Improper recording of capital assets within the system limits Forensic Science's ability to account for the agency's assets and increases the risk that information in the Commonwealth's capital asset system is not accurate and reliable. Forensic Science's internal policies and procedures lack a timeframe for entering assets into the system. Additionally, COVID-19 and the transition to teleworking resulted in the untimely recording of assets during the fourth quarter of fiscal year 2020.

Forensic Science's management should ensure that staff are aware of the importance of timely asset recording in maintaining the accountability over its assets. Forensic Science should include the timely recording of assets as part of its policies and procedures governing capital asset additions to ensure compliance with CAPP Manual procedures and ensure proper safeguarding of its assets.

### **Ensure Completion of Adequate Physical Inventories**

*Applicable Agency: Forensic Science*

*Control Area: Physical Inventory, Policies and Procedures*

Forensic Science did not properly manage and administer the capital asset physical inventory process; performed physical inventories on an irregular or infrequent basis; and performed an incomplete physical inventory that did not include all active assets during the period under review. During our review of the physical inventory process, we noted Western Laboratory has not completed a physical inventory since 2015. Additionally, Forensic Science did not inventory nine assets within the previous two years. Weaknesses in internal controls surrounding the tracking of capital assets significantly increase the risk of misstatement of capital assets in the Commonwealth's capital asset system and indicates inadequate safeguards of capital assets.

CAPP Manual Topic 30505 requires agencies to conduct a comprehensive physical inventory of all assets recorded in the Commonwealth's capital asset system at least every two years to safeguard assets and maintain fiscal accountability. Forensic Science's management is not enforcing and ensuring compliance with Commonwealth capital asset policies and procedures regarding physical inventories. Based on current practices, Forensic Science was unaware of the significant length of time since the previous inventory of the Western Laboratory. In addition, Forensic Science's inventory policies and procedures do not include a requirement to perform an inventory of all items at least once every two years.

Forensic Science should develop a schedule for properly completing a physical inventory to verify the existence of all capital assets at least every two years. Forensic Science should also ensure that its internal capital asset policies and procedures reflect these items and incorporate an appropriate schedule. Additionally Forensic Science should enforce its policies and procedures at all locations. By performing these actions, Forensic Science will provide better oversight to ensure the proper tracking and recording of its physical assets.

## **Improve the Timeliness of Recording Capital Asset Additions**

*Applicable Agency: Forestry*

*Control Area: Asset Additions and Disposals*

Forestry did not record asset additions timely in the Commonwealth's capital asset system for 83 percent of asset additions during fiscal year 2020. Forestry recorded the asset additions from 55 to 349 days after acquisition.

CAPP Manual Topic 30205 states that agencies should record all recordable assets, except constructed assets, in the Commonwealth's capital asset system as soon as possible after title passes. Except in unusual circumstances, assets should be posted to the Commonwealth's capital asset system within 30 days after receipt and acceptance of the asset in the fiscal year the asset was acquired.

Improper recording of capital assets within the Commonwealth's capital asset system limits Forestry's ability to account for its assets and increases the risk that information in the Commonwealth's capital asset system is not accurate and reliable. Forestry's internal policies and procedures lack a timeframe for entering assets into the Commonwealth's capital asset system. Additionally, COVID-19 and the transition to teleworking resulted in the untimely recording of assets during the fourth quarter of fiscal year 2020.

Forestry management should ensure that staff are aware of the importance of timely asset recording in maintaining accountability over Forestry's assets. Forestry should include the timely recording of assets as part of the agency's policies and procedures to ensure compliance with the CAPP Manual and to ensure proper safeguarding of assets.

## **Improve the Tracking and Reporting of Construction in Progress**

*Applicable Agency: Frontier Culture*

*Control Area: Construction in Progress*

Frontier Culture does not have an adequate process to track CIP to properly identify and record capital assets. As a result, there is a risk the total amount and category of CIP projects will be inaccurate, resulting in the improper capitalization of assets or missing capitalized assets when a project is substantially complete. Based on our audit procedures, we identified the following issues:

- For one construction project completed in fiscal year 2010, Frontier Culture did not add the appropriate depreciable capital asset category in the Commonwealth's capital asset system.
- For one construction project completed in fiscal year 2019, Frontier Culture did not add to the appropriate depreciable capital asset category in the Commonwealth's capital asset system until fiscal year 2021.

- When tracking expenses for capital outlay projects, Frontier Culture did not record CIP expenses in the appropriate fiscal year, resulting in an understatement of the CIP beginning balance amount and an overstatement in the CIP additions for the fiscal year.
- For fiscal year 2020, Frontier Culture's CIP spreadsheet only indicated a total increase of \$30,408 for CIP for one project, while the Commonwealth's capital asset system recorded increases for CIP for three projects totaling \$591,718.

CAPP Manual Topic 30310 requires agencies to maintain sufficient documentation to support changes made to CIP balances. Specifically, the CAPP Manual requires an agency to maintain a comprehensive CIP spreadsheet that includes documentation of the invoice paid date and asset category, along with certain other elements. In addition, for each reclassification from CIP, the CAPP Manual requires agencies to document the amount of decrease in CIP, date of decrease in CIP, asset category of offsetting increase, and offsetting increases charged as an expense. Furthermore, the CAPP Manual requires agencies to reconcile the CIP spreadsheet to Commonwealth's capital asset system at least quarterly to ensure accuracy and completeness of reported amounts.

Frontier Culture lacked sufficient staffing levels as well as appropriate back-up personnel to complete the necessary tasks during a portion of the fiscal year under review, which contributed to these deficiencies. In addition, Frontier Culture management is not enforcing and ensuring compliance with the Museum's and Commonwealth's capital asset policies and procedures regarding CIP spreadsheets and the recording of assets in the Commonwealth's capital asset system.

Frontier Culture should revise its CIP spreadsheet to meet the minimum requirements of CAPP Manual Topic 30310 and ensure that it tracks each invoice for every project, including all active and uncanceled CIP projects, from beginning to completion. In addition, Frontier Culture should reconcile the CIP spreadsheet to the Commonwealth's capital asset system at least quarterly to ensure accuracy and completeness of reported amounts. Finally, Frontier Culture should maintain sufficient internal documentation to support changes made to CIP balances and should ensure its internal policies and procedures relating to CIP appropriately reflect these items. These improvements will ensure that Frontier Culture is appropriately recording its assets as required.

### **Improve Internal Controls Over Capital Assets**

*Applicable Agency: Frontier Culture*

*Control Area: Asset Additions and Disposals, Physical Inventory*

Frontier Culture did not properly manage and administer the capital asset physical inventory process including recording and disposing of assets. Frontier Culture performed physical inventories on an irregular or infrequent basis; and performed an incomplete physical inventory that did not include all active assets during the period under review. Weaknesses in internal controls surrounding the tracking of capital assets significantly increase the risk of misstatement of capital assets and demonstrates inadequate safeguarding of capital assets. During our review of the physical inventory process, we found the following:

- Frontier Culture did not remove ten disposed assets from the Commonwealth's capital asset system for up to seven years after the disposal date. Additionally, for all capital asset disposals tested, Frontier Culture did not retain enough documentation to conclude whether it properly recorded the revenue for the disposed assets using the correct general ledger coding.
- For 6 out of 40 (15%) active capital assets tested, Frontier Culture did not include the capital asset in its required biennial physical inventory. Furthermore, two known assets remain in the Commonwealth's capital asset system while Frontier Culture is no longer in physical possession of the assets.
- Frontier Culture did not record an asset purchased during fiscal year 2018 in the Commonwealth's capital asset system for over two years after the acquisition date.

CAPP Manual Topic 30505 requires agencies to conduct a comprehensive physical inventory of all assets recorded in the Commonwealth's capital asset system at least every two years to safeguard assets and maintain fiscal accountability. In addition, the CAPP Manual requires resolution of discrepancies between recorded inventories and actual inventories in a timely manner through the submission of revised input forms and tagging. Additionally, CAPP Manual Topic 30205 requires assets to be recorded within 30 days after receipt and asset disposals should be posted in the fiscal year the disposal occurred.

Frontier Culture lacked sufficient staffing levels or back-up positions within the capital asset accounting area during a portion of the fiscal year, which contributed to these deficiencies. In addition, Frontier Culture management is not enforcing and ensuring compliance with Commonwealth capital asset policies and procedures regarding physical inventories, disposal of assets, and recording of assets in the Commonwealth's capital asset system.

Frontier Culture should develop a schedule for properly completing a physical inventory to verify the existence of all capital assets at least every two years. Additionally, Frontier Culture should appropriately update the Commonwealth's capital asset system, in a timely manner and within the correct fiscal year, for any items found to be unrecorded or not physically existing. Frontier Culture should enter all asset acquisitions and disposals timely into the Commonwealth's capital asset system. Frontier Culture should also ensure that its internal capital asset policies and procedures reflect these items. By performing these actions, Frontier Culture will provide better oversight to ensure the proper tracking and recording of its physical assets.

## **Improve Controls over the Construction in Progress Reconciliation**

*Applicable Agency: Gunston Hall*

*Control Area: Construction in Progress, Policies and Procedures*

Gunston Hall did not perform a reconciliation of its CIP spreadsheet to the Commonwealth's capital asset system to ensure accuracy and completeness for fiscal year 2020. CAPP Manual Topic 30310 requires the agency to reconcile its CIP spreadsheet to the Commonwealth's capital asset system at least quarterly to ensure accuracy and completeness of reported amounts.

Gunston Hall has no internal policies and procedures identifying the need to perform the required quarterly reconciliation of its CIP spreadsheet to the Commonwealth's capital asset system. By not reconciling its CIP spreadsheet and the Commonwealth's capital asset system in accordance the CAPP Manual, Gunston Hall increases the risk of misstatement of capital asset account balances.

Gunston Hall should develop policies and procedures governing the quarterly reconciliation of the CIP spreadsheet and the Commonwealth's capital asset system. Completing the reconciliations as required will help Gunston Hall mitigate the risk of a misstatement in its capital asset balances.



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

February 23, 2023

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

We have audited the capital assets of eight Commonwealth agencies for fiscal year 2020 and are pleased to submit our report entitled **Cycled Agency Capital Assets Review**. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

A non-statistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population for each of the eight individual cycled agencies as detailed in the report.

## **Conclusion**

Our audit found several internal control deficiencies related to capital assets. These deficiencies included:

- Insufficient CIP controls for three out of eight agencies (38%)
- Insufficient asset addition and disposal controls for four out of eight agencies (50%)
- Insufficient physical inventory controls for three out of eight agencies (38%)
- Inadequate policies and procedures for three out of eight agencies (38%)

## **Exit Conference and Report Distribution**

We discussed this report with management of each agency. Management of each agency's response to the findings identified in our audit is included in the section titled "Agency Responses." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

DLR/clj





COMMONWEALTH of VIRGINIA  
**Virginia School for the Deaf and the Blind**

P.O. Box 2069, Staunton, VA 24402  
(540)332-9000 Fax (540)332-9042

Please find below VSDB's response to the finds based on the Capital Asset Audit.

1. VSDB does compare and reconcile FAACS CIP reports to Director of Operations spreadsheets to Cardinal reports. If discrepancies are found, then the differences are investigated and corrections made as needed. The Director of Operations did not keep copies of these reconciliations. Going forward, paperwork will be kept on quarterly reviews. Desktop procedures will be reviewed for accuracy.
2. VSDB will make sure that all assets are entered into the FAACS system within the 30 day period. The majority of the late assets (17 of the 25) were Promethean Boards that missed the cut off by 15 days.
3. Currently, VSDB prints an inventory list from FAACS to complete our annual inventory. Staff go out and physically view the assets. While completing this process, any equipment that is seen and suspected of being FAACS eligible, is reviewed. Procedures will be updated to include "floor to list" inventory as well.

The Virginia School for the Deaf and the Blind does not discriminate on the basis of race, sex, color, national origin, religion, sexual orientation, age, political affiliation, veteran status, or against otherwise qualified persons with disabilities in its programs and activities.



## COMMONWEALTH of VIRGINIA

### DEPARTMENT OF FORENSIC SCIENCE

OFFICE OF THE DIRECTOR  
A Nationally Accredited Laboratory

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RICHMOND, VIRGINIA 23219  
(804) 786-2281 FAX (804) 786-6857

February 23, 2023

Staci Henshaw  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

Dear Ms. Henshaw:

This letter is in response to the results of the Capital Assets Audit performed by your agency. The Department of Forensic Science (DFS) is in agreement with the review results and has taken the following corrective actions in order to ensure both adequate internal controls are in place and that we are following all Commonwealth policies and procedures.

- DFS has updated the policies and procedures over fixed assets to add the requirement of recoding new fixed assets within 30 days of receipt. The procedure has also been revised to review the possible fixed asset report from Cardinal semi-monthly instead of monthly.
- DFS has developed a new schedule in Excel to ensure that all locations have a physical inventory completed at least once every two years. This schedule uses cumulative data to both record the date of the last inventory as well as to schedule the next inventory to be completed.

We appreciate the diligent and professional work of the APA. Please let me know if there is any additional information that our agency can provide.

Sincerely,

A handwritten signature in cursive script, appearing to read "D. Barron".

David Barron  
Deputy Director

Rob Farrell  
State Forester



# COMMONWEALTH of VIRGINIA

## Department of Forestry

900 Natural Resources Drive, Suite 800 • Charlottesville, Virginia 22903  
(434) 977-6555 • Fax: (434) 296-2369 • [www.dof.virginia.gov](http://www.dof.virginia.gov)

February 23, 2023

The Auditor of Public Accounts  
P. O. Box 1295  
Richmond, Virginia 23218

Dear Ms. Henshaw:

Following is the Department of Forestry response to the Cycled Agency Capital Assets Review for fiscal year 2020.

**Finding:**

Forestry did not record asset additions timely in the Commonwealth's capital asset system for 83 percent of asset additions during fiscal year 2020. Forestry recorded the asset additions from 55 to 349 days after acquisitions.

CAPP Manual Topic 30205 states that all recordable assets, except constructed assets, should be recorded in the Commonwealth's capital asset system as soon as possible after title passes. Except in unusual circumstances, assets should be posted to the Commonwealth's capital asset system within 30 days after receipt and acceptance of the asset in the fiscal year the asset was acquired.

Improper recording of capital assets within the system limits Forestry's ability to account for their assets and increases the risk that information in the Commonwealth's capital asset system is not accurate and reliable. Forestry's internal policies and procedures lack a timeframe for entering assets into the system. Additionally, COVID-19 and the transition to teleworking resulted in the untimely recording of assets during the fourth quarter of fiscal year 2020.

Forestry management should ensure that staff are aware of the importance of timely asset recording as it affects the accountability over Forestry's assets. Forestry should include the timely recording of assets as part of the agency's policies and procedures to ensure compliance with the CAPP Manual and to ensure proper safeguarding of assets.

*Agency Response: To address audit findings related to Assets Additions and Disposals, the Department of Forestry is updating relevant policies and procedures to fully align with the CAPP Manual Topic 30505 - Physical Inventory. To ensure that new procedures are fully implemented, Forestry has established an asset committee with representation from all levels of the agency. The committee is identifying all assets/inventory that must be tracked and how inventory and validation will be completed, as well as updating all necessary forms and procedures. Forestry is also updating the agency's customized information system (IFRIS) to support the revised procedures.*

Sincerely,

A handwritten signature in black ink, appearing to read "R. W. Farrell".

Robert W. Farrell  
State Forester

Letter-APA Response.docx



## COMMONWEALTH OF VIRGINIA

### Frontier Culture Museum of Virginia

P.O. BOX 810  
STAUNTON, VIRGINIA 24402-0810  
Telephone: (540) 332-7850  
FAX: (540) 332-9989

Staci Henshaw  
Auditor of Public Accounts  
101 North 14<sup>th</sup> Street  
Richmond, VA 23219  
February 28, 2023

Good morning Ms. Henshaw,

Please see our comments regarding specific points below:

#### **Tracking and Reporting of Construction in Progress**

This report sites construction projects completed in fiscal years 2010 and 2019. The current Finance Director came to the Museum nearly halfway into fiscal year 2020 (November 2019). For most of calendar year 2019 there was either one or no fiscal staff. Regarding the projects sited for fiscal year 2020, this was in part due to a misunderstanding regarding funding source, but primarily the need for the new Finance Director to catch up activity pre-dating her tenure. CIP is currently being recorded in FAACS monthly and the referenced spreadsheets are being maintained.

#### **Internal Controls Over Capital Assets**

Prior to the current Finance Director coming to the Museum there was a lack of understanding regarding how fixed asset records should be maintained. The long neglected FAACS inventory has since been fully inventoried, and assets removed as needed. Current acquisitions are being recorded appropriately.

These findings are not representative of the standard current fiscal staff (Finance Director and one Fiscal Technician) strives to maintain. Both came to the Museum only months prior to the

*"Bringing the Past to Life"*  
[www.frontiermuseum.org](http://www.frontiermuseum.org)



Museum being closed for several months due to COVID lockdowns in late fiscal 2020, and they have worked diligently to improve internal controls.

I am happy to discuss any questions or comments you may have.

A handwritten signature in black ink, appearing to read 'Butch Smiley', with a long horizontal flourish extending to the right.

Norman C. "Butch" Smiley  
Chief Executive Officer  
Frontier Culture Museum of Virginia  
PO Box 810  
Staunton, VA 24402-0810  
804-399-7157  
[Butch.Smiley@fcmv.virginia.gov](mailto:Butch.Smiley@fcmv.virginia.gov)



HOME OF *American Rights*

Staci Henshaw  
Auditor of Public Accounts for the Commonwealth of Virginia

Date: February 27, 2023

Subject: Gunston Hall response to Agency Capital Assets Review

Thank you for the opportunity to respond to the draft of the Audit Summary report for Gunston hall Capital Assets for fiscal year ending June 30, 2020.

Gunston Hall responses follow the audit response presented in the Audit Summary:

1. **No quarterly reconciliation of Agency's CIP spreadsheet to the Commonwealth capital asset's system** – Agency is establishing internal controls for the fixed assets reconciliation process to become compliant to the Commonwealth policies and procedures. This process will be complete in April 2023.
2. **No internal document that references the reconciliation process of Agency's fixed assets reconciliation process** – The Agency is creating a financial reporting manual that will include the fixed assets reconciliation process for the Commonwealth. This process will be complete in April 2023.

We appreciate and value the recommendations that are presented in the report to help our Agency to improve internal processes and controls.

Sincerely,

Scott Stroh III  
Executive Director

10709 Gunston Road, Mason Neck, VA 22079 ☎ (703) 550-9220 PHONE ☎ (703) 550-9480 FAX ☎ [www.gunstonhall.org](http://www.gunstonhall.org)

GUNSTON HALL is an educational agency of the Commonwealth of Virginia governed by  
THE Board of Regents of Gunston Hall ☎ The National Society of THE *Colonial Dames of America*.